Transcription

Verisure Group Q2 2023 Results

30 August 2023

PRESENTATION

Operator:

Welcome to the Verisure Group Q2 results presentation. Today I am pleased to present CEO, Austin Lally, and CFO, Colin Smith. For the first part of the conference call, participants will be in listen-only mode. During the questions and answer session, participants can ask questions by dialing star five on their telephone keypad. Now I will hand the conference over to the speakers. Please go ahead.

Colin Smith:

Thank you, operator. Good afternoon, everyone, and welcome to our Q2 2023 results presentation. You are joined today by our CEO, Austin Lally, and myself, Colin Smith. As shared by Austin in the previous earnings call, I joined Verisure in June as Group CFO, after a long career at Sky where I served as UK and Ireland CFO for the past five years. I´m excited to join Verisure, and glad to connect with all of you. I look forward to meeting as many of you as possible over the coming months.

As always, you can find our Q2 2023 presentation and earnings report on our corporate website.

Before we start, let's have a quick look at the agenda on Slide 4. First, Austin will share an overview of the key developments of the quarter. Then, I will share a more detailed financial review. Finally, we will close the session with time for Q&A and closing remarks. With that, let me hand it over to Austin.

Austin Lally:

Thank you, Colin. I want to start, obviously, by welcoming you to the company. Your first three months with Verisure under your belt. You have made a very fast start. Learning the business already. Adding value to our operations. I look forward to this ongoing future partnership that we're going to have.

I want to thank everybody for participating in the call today. More importantly, for the continued interest and support that you show on our company. I hope that you've been able to take a break at some point over the summer to recharge, because there are obviously busy days ahead.

Today we will present the results for Q2 2023 for the Verisure Group.

I am very glad to share that we had another strong quarter and first semester, both operationally and financially. We continue to navigate successfully through the challenging external environment, with continued high inflation, further interest rate increases and the inevitable knock-on impact on consumer confidence. In this reality, every day, we demonstrate the resilience of our business model including the high quality of our portfolio. We are very pleased with this continued strong performance. And proud of our talented, growing team right across the Company.

So, let's start with our Q2 performance highlights on slide number 5.

Total revenues were up +10%. +11% in constant currency. Group EBITDA was up +21%. +23% in constant currency. And our portfolio EBITDA was up +11%, +13% in constant currency, reaching over 465 million EUR. Annualized, our portfolio EBITDA is now close to 1.9 billion EUR. We continue to grow double digits across key financial metrics. We view this as very strong and robust financial delivery.

In terms of growth, we had 201 thousand new installations in the quarter. At the end of Q2, we closed with a portfolio of over 4.9 million customers. And I am pleased to share that we passed 5 million customers in July, which was a proud moment for the Verisure family. It was just 2 years ago that we celebrated the 4 million customer milestone. So in just over 24 months, and in a difficult and volatile external context including the worst consumer confidence in a generation, we have again underscored the unique growth profile of our business.

We added 437k customers to our portfolio in the last twelve months. Our portfolio grew by +10% in the quarter year on year.

LTM attrition remained low in absolute relative to other subscription businesses at 7.5%. Encouragingly, and after a lot of hard work from our teams across our markets, quarterly attrition has returned to a decreasing profile during Q2.

In April we redeemed our 200 million EUR Floating Rate Notes due in 2025, drawing on our RCF. All our debt now matures in 2026 or beyond and is 70% fixed. As of the end of Q2 we had almost 500 million EUR of available liquidity.

Finally, and as shared in our Q1 earnings call, we received a credit rating upgrade from both S&P and Moody´s in May. We are now a B+ credit, with stable outlook, with S&P. And a B1 credit, with stable outlook, with Moody´s. I believe this is testimony to our market leadership, our continued hi-quality growth, our best-in-class customer loyalty, our strong unit economics, and our deleveraging capacity.

Let's now move to slide number 6. Our customer portfolio has 437 thousand more customers than a year ago. At close of Q2 we had a portfolio above 4.9 million customers. This corresponds to a net portfolio annualized growth rate of +9.7%.

Looking back across 2 years, we have added around 200 thousand new installations to our portfolio every single quarter, like clockwork, despite the challenging external environment. 5 years ago, we were doing half this amount.

The level of new installations we complete across our 17 markets is a conscious choice. We focus on maintaining high quality customer intake, balancing CPA efficiency, entry economics and the quality of the intake. We add new customers with an average customer lifetime of around fifteen years.

In Q2, our CPA was 1,406 EUR. This is 1.2% lower than last year, and a good outcome given the external inflation picture. It shows our focus on efficient marketing spending is having a positive effect alongside strong cost control. Overall, the picture remains broadly the same as in previous calls. We continue to create attractive customers with a very high lifetime value and good paybacks. We believe investing in these valuable new customers is a very good way to deploy our capital.

You know we never give formal forward-looking guidance. But we remain optimistic about our future growth. We still see good demand for new sales. Penetration remains low and levels of latent demand remain high.

Let's move to attrition performance on slide number 7.   Controlling attrition remains a key priority for Verisure. As discussed in previous calls, we saw in 2022 that households were reassessing their spending choices more frequently than before. And so, cancellation requests in 2022 did not trend down as much as normal through the year.

Our total LTM attrition is now at 7.5%. That is a small uptick compared to last quarter. However, we're encouraged by quarterly attrition, which is returning to a decreasing profile. Attrition in Q2 was lower than in Q1. We now clearly see increased stabilization in our customer base.

Overall, on attrition, we believe this performance still not only leads our industry, but likely subscriber-based consumer services overall. It shows that the professional and innovative security solutions we provide, built on unique technology that delivers against key promises, remains a high priority for our customers even when they must make other tough family budget choices. Our solidity also reflects the high-quality customer intake and the focus on a superior customer experience.

Value creation is not just about the total portfolio. We also focus heavily to the profitability of individual customers. So, we are now going to look at Earnings per customer, EPC, on slide number 8.

Let me start with revenues per customer. Average revenue per user, ARPU, increased to 44.4 EUR per customer per month in Q2. This is up +3.8% in constant currency versus prior year, and +1.9% in actual currency. This increase has come from a number of sources; a well-taken price increase in Q1, an increased focus on upsell activity into our existing customer portfolio, and a focus on optimising discount levels in all of our markets.

Our monthly Cost to Serve increased by a below-inflation 5% year on year. This increase reflects inflation in our cost base, the majority of which is the costs of our people. We have continued to focus heavily on cost efficiency and made continued progress on cost efficiency to partly offset the impact of inflation. We are now well past the peak of inflation in our major European markets.

Overall in Q2, we continued to enjoy excellent Earnings per Customer. We reached 31.6 EUR per customer per month, +2.3% in constant currency versus last year, and our strongest performance ever. We are particularly pleased with this outcome given the macro environment in which we've been operating.

With this, I now would like to hand back to Colin, who will take you through the financial review in more detail. I will come back later for the usual Q&A and some final closing remarks. So, Colin, over to you.

Colin Smith:

Thanks, Austin. With that, let's move to slide number nine. Where we'll discuss our key financial headlines for the second quarter.

Verisure delivered another strong quarter of financial results. Total Group Revenues were €766m in the quarter, up +11% in constant currency year on year. Group EBITDA was €323m in Q2, up +23% in constant currency. And Portfolio Services EBITDA reached a new record-high of €465m, an increase of +13% year on year, again in constant currency. Annualized Portfolio EBITDA is now around €1.9bn.

We continue to deliver sustained high profitability levels in our Portfolio. Portfolio EBITDA Margin remained above 71% in the quarter. We have improved Portfolio EBITDA margins by almost 1 percentage point per year, on average, over the past 5 years. This year's slight decrease is primarily a result of the inflationary environment we've operated in, which as Austin said earlier, we now see moderating.

Cash Flow from Operating Activities in Q2 was €334m, up +55% year on year. This is the result of stronger underlying cash flow generation in addition to positive cash flow from working capital items. This builds on the positive trend we reported in our Q1 results.

Total Capital Expenditures were €220m, up +3% vs. last year. Our Net Debt increased very marginally over the past twelve months, closing the quarter at €7.4bn, an increase of +2% year on year.

And lastly, we have €491m of financial liquidity at hand as of the end of the quarter, from a combination of cash on balance and available funds under our Credit Facilities.

So, in summary, in Q2 we delivered another quarter of strong financial performance.

Turning now to slide number 10, we show a more detailed view of our Income Statement. Looking first to items excluding SDIs, Group revenue was €766m and Group was EBITDA €331m. We were particularly pleased with our margin progression, with second quarter EBITDA margins of 43.2% growing strongly from 39.6% in the second quarter of 2022.

Depreciation and Amortization was €132m in the second quarter, with Retirements of assets €29m. Our second quarter Operating Profit was €169m, which translates to an Operating Profit margin of 22%. Net Interest Expenses were €112m in the quarter, which was up from €75m last year, driven by the higher cost of debt. Other Financial Items totalled €4m. In total, Profit Before Tax was €53m in the quarter, which was our best Q2 on record.

Now, looking to Separately Disclosed Items, and starting at the top, we incurred €7m of operating SDI expenses during the second quarter of the year. These are related to ongoing transformational projects and restructuring costs.

In addition, amortization of acquisition related intangibles was €13m in the quarter. This primarily relates to the amortization of the customer portfolio acquired in 2011 from Securitas Direct Group. This amount is obviously non-cash.

Other Financial Items reached €21m in the quarter. This is due to positive FX revaluation effects of unrealized derivatives, totalling €29m, partially offset by the amortization of prepaid financing fees of €4m.

Finally, if we now look to total reported numbers, we see that Income Tax for the quarter was €19m. All in all, this results in reported Net Income of €34m in the second quarter.

Let's now turn to slide number 11, where we show an overview of Cash Flow Generation and Change in Net Debt. And just to note that these numbers now represent our H1 numbers covering the period January to June 2023.

Our main source of cash flow generation are recurring cash flows from our customer portfolio, which stands at over 4.9 million customers as of the end of June 2023. We generated €923m of Portfolio EBITDA during the first six months of the year.

As you know, we deliberately and consistently deploy a significant part of the cash generated from our growing customer base to finance our continued growth cycle. We invest to acquire new high-quality customers that will remain with us for around 15 years on average.

This is what we refer to as Customer Acquisition Investment. Part of that investment goes to replace attrition, and part to fund portfolio growth. In total, we invested €562m in acquiring new customers in H1 2023. We continue to firmly believe that the best use of cash is to continue bringing high quality customers to our portfolio with high lifetime value.

Portfolio and Other Capex made up a €122m outflow during the first six months of the year. Portfolio Capex of €58m relates to new equipment for existing customers, as we upsell and upgrade our existing customer portfolio. Delivering new innovation for our customers is also a core priority, and our Other Capex of €65m includes Capex related to R&D and software engineering,

Change in Working Capital has contributed €41m so far this year, primarily driven by managed inventory reduction in 2023. Paid Taxes in the first six months of 2023 were €25m, and Paid Interests and Financial Items were €235m. Finally. SDIs and Other, which mainly include IFRS adjustments and adjacencies, generated an additional €35m outflow.

All in all, we recorded slightly negative net free cash flow of €17m during the first six months of 2023, translating into a Net Debt increase of €18m once we include a small increase in lease debt.

Turning to slide number 12 I will now give an update on our net leverage position. In the second quarter of 2023, we continued our sustained deleveraging trajectory. Senior Secured Net Leverage and Total Net Leverage closed at 4.4x and 5.6x, respectively.

That sees Verisure reduce net leverage by another 0.2 turns in the second quarter, consistent with the trend we've followed over the past several quarters

Moving to Slide 13, I wanted to close by illustrating our track record of delivering strong, high-quality operational and financial growth. This sets out the simple but powerful business model we operate at Verisure, and how we focus on driving value and growth through our business.

Starting top left with the sales engine, we have delivered good growth in new customer intake over the years. We are proud to have doubled new installations over the last 6 years and have continued to increase new installation volumes over the past 3 years despite everything that's come at us from COVID-19 and the once in a generation macro pressure on consumers.

In parallel, we continue to focus on improving customer experience and delivering best-in-class attrition levels. Although we recorded a small uptick in the last 12 months, our customer loyalty remains extremely strong. As discussed, we are encouraged by the fact that quarterly attrition is now decreasing again.

Strong customer intake and sustained low attrition leads to consistent Portfolio growth. We have driven double digit growth rates in our Customer Portfolio for several years.

At the same time, and this is where we talk about the power of "and" being so embedded in our culture, this volume growth is complemented by continued improvement in customer profitability. We do not choose between volume and unit economics; instead we pursue broad-based growth across both volume and customer economics.

Having worked in and around the TMT sector for the majority of my career, I am very impressed with our acquisition economics. Indeed, in Q2 our acquisition ARPU, the entry pricing paid by our newly installed customers, is in line with our existing portfolio. That is a rare and very valuable business model strength we have here at Verisure; it means we have no back book to front book ARPU dilution headwind, and something we stay very focused on maintaining.

Taken together, strong portfolio growth and continued improvement in unit economics generate consistent double-digit growth in our key profit and cash flow measure, portfolio EBITDA, which is now approaching €1.9bn on an annualized basis. I now hand it over to the operator for the Q&A session.

Operator:
If you wish to ask a question, please dial star five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial star five again on your telephone keypad.

The first question comes from Jemma Permalloo from JP Morgan. Please go ahead.

Jemma Permalloo:
Hi, good afternoon. Thank you for the presentation. I have two questions. I guess, to just start with, given your guidance and attrition that is starting to come down and the pricing exercise that you've already undertaken for this year. Could you remind us when is your next pricing window? Are we looking at Q3 or is it more like Q1 next year?

Then my second question is probably more of a broader question. We do get the business model that you are in a capacity to cut down CapEx or acquisition CapEx if you were to start preserving cash. To me, it doesn't seem that there's maybe a reason to slow down growth. Equally, given your previous commentary, you are still looking to continue growing. More of a broader term question. At what point do you think you might be more of balanced to slowing down growth to start generating free cash flow? Thank you.

Austin Lally:

I think I'll take the second question first because it's a fundamental point. When we bring in customers, as long as we make sure that we bring in those customers with the right characteristics, then those are fantastic investments. We generate cash to hand back to shareholders, for them to try and find somewhere else more attractive to invest in. That doesn't always make a lot of sense. That's why I said in my remarks that we carefully balance the growth opportunities and the high-quality customer intake. We look carefully at the quality and the quantity. We're not just trying to max installation volumes. We're not going to pay crazy marginal costs, for example, for customers. We're also not going to dilute the quality of the portfolio by bringing in customers, for example, that have significantly lower pricing or a much worse attrition profile, than the rest of the portfolio. That's really the point. It's about being thoughtful and being balanced on the approach that we take.

I guess if you think about sort of financial planning, we don't exclusively take pricing in Q1. There have been moments country by country where we've taken pricing in different windows. But typically, the pricing that we take is at the start of the year.

And we take it once. That means that we've got very good predictability on how the ARPU is going to play out for the year. Because we're resetting the ARPU / RMR for existing customers at the start of the quarter. On top of that, you also have the effects of upselling to the portfolio, which are also additional revenue opportunities. Then the other important point that Colin made in his remarks. The fact that we bring in new customers at price levels that are very comparable with the existing portfolio, the front book back book phenomenon that hurts so many other businesses. Again, that just adds to the predictability and solidity of the ARPU.

Colin Smith:

If I can just build on the second question, echoing what Austin said, I'll take you back to the presentation. You'll see that in the first six months of the year, we increased net debt by only €18 million over that six-month period. I think the attractive thing about our business model is that as we acquire customers, that portfolio EBITDA that is the anchor of our cash flows just continues to increase through time. All with the caveat, the super important caveat, that we continue to attract customers that are equally as high quality as the ones that we've got in the portfolio. Our IRR calculations on new customers is around 20 percent, which is an excellent use of capital.

Jemma Permalloo:

Thank you. That's very clear. Maybe just a follow-up in terms of net leverage. Do you have any sort of medium-term ideally, where would you like to be in terms of net leverage?

Austin Lally:

No, I don't think we go out publicly with leverage targets. I would say we're comfortable with where we are. Our company has in the past steadily deleveraged because of the growing EBITDA that we have. I think you should probably read into the upgrading by Moody's and S&P. They are confident in the discipline of our financial management.

Jemma Permalloo:

That's very clear. Thank you.

Operator:

The next question comes from Naveed Mukhtar from PGIM. Please go ahead.

Naveed Mukhtar:

Hi. Thanks for the presentation. I just had one question, really. Just wanted to ask about the market conditions in your Nordic markets. The reason I ask that is I know that one of your competitors in that market seems to be really struggling with the customer acquisition costs in particular. Whereas you guys on a group level, seem to be doing well. If you can give us some summary of how that market is evolving and also in terms of market share, how your market share is evolving in that market. Thank you.

Austin Lally:

It's always difficult to comment on competition. I think that those Nordic markets have historically been markets of strength for Verisure. We believe we have leading market shares there. We believe that we're continuing to defend, and I think that this year even probably grow our market share in those markets. Although we do not have visibility at a country level of competitive sales. It's my estimation that we're actually building market share in those countries. I think I'll maybe go slightly further than normal. I think if you look at the acquisition cost, for example, for a particular competitor, we don't assume that the CPA is high because the money is being spent in the core markets. My assumption is that actually, that reflects quite a significant investment in new markets. I think you can probably find quite a bit of detail on that in the reports by the rating agencies.

Naveed Mukhtar:

That's very helpful. Overall, in those markets, which obviously from the housing market perspective, some of those markets have been hit quite badly. Are you still pretty confident that in terms of your numbers and outlook are still pretty robust?

Austin Lally:

These are obviously bumpy markets. I think Swedish consumer confidence is the lowest it's ever been. These countries were hit by, in a way, a double whammy of big spikes in energy costs in what is unfortunately the coldest part of Europe. I think the proximity to the conflict obviously created volatility. Then beyond the energy price increases, you have a fairly high level of home ownership and a high level of variable-rate mortgages. I think it's definitely a trickier consumer environment to navigate. We know that. That's why we have to work harder, first of all, to create demand, but also to make sure that we really look after our customers. If I take a medium-term, long-term view, we have a strong position in these countries and we're going to continue to build.

Naveed Mukhtar:

Thank you.

Operator:

The next question comes from Ryan McElvenny from Man Group. Please go ahead.

Ryan McElvenny:

Hi, good afternoon. Thank you for taking my questions. Just a couple here. The first one on your CPA, the sort of €1,400. Can you just give a rough breakdown of the buckets for that? How much of that is installation costs, hardware costs, sales and marketing costs, and maybe how much installation revenue do you get typically across your European countries upon installation? That would be my first one. Thank you.

Austin Lally:

Listen, I think we can give you a perspective on gross costs based on the revenue that we get. I think we're in the €500 revenue range. Colin can be more precise on this one. What I'm not going to do is split up the cost elements, because I may as well just give competitors my playbook. The buckets, though, are obvious. There's what we spend on marketing to create demand. There´s what we invest in our sales commissions. Then we've got our own overhead cost, which we look at again very carefully. We've got our direct sales overhead, so the cost of our sales branches, the cost of our coaches or training or recruiting. And then we've got our general company overheads. We've got our general managers and finance directors and so on.

We obviously manage those overheads, the fixed elements of that, very tight as I mentioned in my remarks. Part of the reason we've been able to bring CPA down 1.4 percent in an inflationary environment is tight cost control. Then, for the other elements of the CPA, one of the good things is that it's highly variable. At the end of the day, we don't pay sales commissions if we don't sell. The amount of marketing investment that we put in can be flexed up and down depending on what we think the level of demand is going to be. Those of you who have followed us for a longer period will have seen that play out in action, for example during the Covid period in Q2 and Q3 2020.

Colin Smith:

I think that's right. If I can just build on Austin's points there, I think it's important to bear in mind that our CPA is a fully loaded CPA calculation. It is certainly not marginal. To Austin's point, you tend to find in their different categories of costs from fully variable like sales commissions to hardware. To semi-variable, on things like marketing, which can be turned off at relatively short notice. All the way down to fixed overheads like those branches that Austin talked about. It's important to understand and important to remember that everything goes in there. It's a true North calculation of CPA.

Ryan McElvenny:

Got it. Is that 1,400? Is that net of the installation revenue?

Colin Smith:

Yes.

Ryan McElvenny:

How much do they pay? How much is that installation revenue?

Colin Smith:

Probably around 500 is a good rule of thumb.

Ryan McElvenny:

Excellent. Then just maybe do two quick ones. In terms of the CPA range by European countries, are you able to give just a rough sense of what that is, min-max so that we can understand the dispersion there? Obviously, if it's commercially sensitive, we don't want you to do that.

Austin Lally:

It is commercially sensitive. It's also a bit misleading because, for example, you will see a difference between mature countries and fast-growth expansion countries. I remember when we opened Italy, we would even see quite a difference between the more mature Italian provinces that we had entered first versus the newly opened provinces that came later. There is a range. Partly the range reflects, in a way, the cost to serve in differences in countries, but it's often more a reflection of the maturity in the growth profile.

Ryan McElvenny:

Understood. Then maybe the last one from my side. When you think of the M&A landscape and maybe M&A in general, is that something that you're contemplating? Or are you just focused on the whitespace opportunity and organic growth? Broadly speaking, would there be synergies for you to buy a scaled alarm player, the number three in one of your markets? We would just love to know your thoughts on how you're thinking about those opportunities.

Austin Lally:

One of the ways to somehow deduce our strategy is to look at our past behavior. We are fundamentally an organic growth company. We like having our own vertically integrated technology. We like controlling very carefully the quality of the customer intake. We don't like the technical complexity of spaghetti hoops of different equipment and different signals. We don't like the hassle of compatibility. We don't like high attrition. We don't like low prices.

So, when you look at our history, yes, we've made acquisitions. But we've been very selective. We've really looked at the quality of the customer and whether that is something that would fit with us. I think if you look to the future, when opportunities emerge, we look at them, we assess them, but we're highly selective. That's why a very small part of our past growth has come in organically.

Ryan McElvenny:

Understood. Thank you.

Operator:
The next question comes from Vivek Khanna from Deutsche Bank. Please go ahead.

Vivek Khanna:

Hi, good afternoon, everyone. Thank you very much for your presentation. I just had a follow-up question if I may. Clearly, you continued the path of continued proof of your deleveraging trend. Quarterly churns headed in the right direction. ARPU and EPC continue to grow. That's clearly all positive things. Rating agencies have also opined on that trend. I think one of the things that you've talked about in the past also in this call is to look back at history to see what your strategy is. I guess with that regard, I'm just trying to figure out what your capacity and your appetite for re-leveraging is relative to previous re-leverage trends, considering the different interest rate environment. I'm not suggesting that the growth opportunity has changed, but I'm just trying to recast where you think your peak leverage could be considering the higher cost of capital going forward.

Austin Lally:

I don't want to get into what leverage targets are, but what I can tell you is that no one is contemplating a dividend here. I don't expect you'll see us, for example, on the debt markets any time soon. I think you can probably read something into the Moody's and S&P upgrades around that topic.

Vivek Khanna:

Fantastic. Thank you very much.

Colin Smith:

I think that's right. If I can just Vivek, add a couple of things. I think you're bang on. The cost of debt around us has changed fundamentally over the past 12 months. We need to be very mindful of that. We have always been very happy in the range of five to seven times. As Austin says, as we talked about earlier on, we're well funded now. We don't have any funding due until 2026. We've got cash on hand, so it feels like we're in a good place. As Austin said, we don't expect to be going into debt markets any time in the next 12 months.

Vivek Khanna:

Thank you very much. That's very clear.

Operator:

The next question comes from Koen Struijk from Apollo. Please go ahead.

Koen Struijk:

Hey, thank you for taking my question. I have one question on installation revenue per customer. That seems to be trending downwards slightly over the last few quarters, which is just by looking at installation revenue and new customers added. Could you comment on that? What's the driver of this?

Austin Lally:

I think it's a complicated topic because in fact, in any particular quarter, that will move up and down depending on the country mix. I wouldn't read too much into that. I think that what differentiates Verisure from many players in the industry is that we do actually get upfront installation revenue. There are obviously players in the industry who have a different model. They go for very low upfront. They sometimes want to give away an alarm system for free. The customer doesn't have skin in the game. That leads to either higher attrition quickly or quite high attrition when people get to the end of what can be quite an onerous contract. We try to be balanced on this one.

Colin Smith:

I think that's right. If I can just add, clearly the accounts would demonstrate that over the first six months of the year, for example, I think our installation revenues are down 3.5 percent. I think in the grand scheme of things, it's a fairly marginal move. The Company will always be very mindful and focused in each of our 17 markets on our go-to-market execution. We will want to continue to be as competitive as we possibly can be to win and attract those high-yield customers that we talked about earlier on. We don't see any issues in this. We will always manage upfront revenues again, like all of CPA, actually in a range. As long as we're getting that individual customer unit profitability where we want it, we are happy.

Austin Lally:

You can't also separate upfront revenue, for example, from the size of the installation. From the type of components that the customer is prepared to buy. We also need to balance what I'll call the quality of the customer intake and the quantity of the customer intake. We're solving for quality. We're also solving for the right amount of volume. I think as you pointed out well Collin, a 3.5 percent plus or minus on the upfront isn't something that I lose much sleep on.

Koen Struijk:

Thank you.

Operator:

There are no more questions. I hand the conference back to the speakers for any closing comments.

Austin Lally:

Well thanks, everybody. Thank you all for participating today, and for the continued support on the company. Thanks to those of you who asked questions today to try and learn a little bit more about how we're operating.

These remain difficult times for many families in our footprint. Although we start to see certain economic indicators improve, there remains uncertainty. Yet, we continue to deliver on our mission of protecting what matters most. And, we have demonstrated once again the resilience of our business model and the quality of our portfolio. We have delivered another quarter of strong operating and financial performance, and we have once again achieved new highs for portfolio and performance metrics.

That means I´ve never been prouder of our team, and grateful for the trust so many families and small businesses have placed in us.

I look ahead to the future with optimism. Were proud that we continue to provide an important service that is valued by our customers. Latent demand remains strong even in this environment where some households have chosen to delay discretionary purchases. Remember, penetration remains low. There's a lot of headroom ahead and we're going to leverage our leadership position, and our accumulated expertise to protect more families and small businesses. I mean, that's our mission. We're going to continue to innovate and enrich our proposition, to increase our success in doing that.

Finally, again, many thanks for taking part today and for your interest and support. Colin and I look forward to talking to you again next quarter.